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Casey's Stock in Capital Cities

CIA chief has an interest in firm that's taking over ABC

By Rita Ciolfi

Newsday Washington Bureau

When CIA Director William Casey established a blind trust in 1982 to quiet Congressional charges of conflict of interest in his stock transactions, he exempted 34,755 shares of Capital Cities Communications, the firm that startled the business and media worlds last week by announcing a proposed take-over of ABC.

Currently, the director of the Central Intelligence Agency may hold as much as \$7.5-million worth of stock in the company, which will soon own one of the nation's three major television networks.

A lawyer with the Office of Government Ethics said Friday that Capital Cities was exempted from Casey's blind trust because, at the time, the ethics office was focusing on the concerns raised over the CIA director's oil and gas stocks. The lawyer, who didn't want his name used, was involved in the setting up of the trust.

"The size of his Capital Cities holdings and his desire to retain control of it was why it was not put into the trust . . . It wasn't our decision what went into the trust," the lawyer said. "All we were concerned with were the assets that had a relationship to his work or his agency's mission."

"Capital Cities was not seen as a potentially conflicting item . . . It was more of the internationally sensitive stocks that gave rise to Congressional concern."

SEC filings show that no Capital Cities stockholder owns more than 5 percent of the firm's 12.8 million shares; 34,755 shares would constitute just over one-quarter of 1 percent.

Even with the ABC take-over looming, the Ethics Office lawyer said, Casey's holdings have "no meaning in terms of control or influence." The head of the Ethics Office, David Martin, was unavailable for comment.



William Casey

According to sources, Casey didn't know of the ABC take-over plan until it was announced last week.

In July, 1983, Casey said that he had sold approximately half of his 69,510 shares in Capital Cities to raise capital for the purchase of a more diversified portfolio. CIA spokeswoman Patti Volz said Friday that this sale took place in August, 1982.

Volz said that Casey is not now active in Capital Cities' business activities and that his holdings in the firm are too small for him to have any influence on it. She also said late Friday that she could not reach the persons who know the precise amount of those holdings and that she was unsure whether the CIA director would authorize the release of such data.

But others said that the fact of Casey's continued holdings, whatever their size, coupled with his long relationship with both the company and its principals — he helped found the firm in 1954 — raises questions about a possible conflict of interest.

Richard Salant, former head of the National News Council, a media watch group, said Casey should sell any holding he has in Capital Cities.

"It doesn't turn on whether you like or don't like Casey or the CIA," said Salant, who is also the former president of CBS News. "It is a matter of the healthy relationship between government and the news. I'd feel much more comfortable if he sold it," Salant said.

Morton Halperin, director of the Center for National Security, was troubled that not all of Casey's stock holdings were in a blind trust. But he said the ownership of the communications stock and Casey's prior involvement with Capital Cities was an even greater problem.

"A government official should not be part owner of the news media," said Halperin, a former member of the National Security Council staff during the Nixon administration. "I'm not saying that this is even a technical violation of any law or regulation. He has an obli-

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